

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

REVIEW REPORT  
OF  
PENDLETON JUVENILE CORRECTIONAL FACILITY  
STATE OF INDIANA  
April 1, 2002 to May 31, 2006



**FILED**  
09/13/2006



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# AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner, Indiana Department of Correction	Evelyn Ridley - Turner	02-01-01 to 01-09-05
	J. David Donahue	01-10-05 to 01-11-09
Superintendent	David Uberto	03-02-98 to 03-06-03
	Rondle Anderson (Interim)	03-07-03 to 10-18-03
	Rondle Anderson	10-19-03 to 08-13-05
	Jane Burns	08-14-05 to 02-23-06
	Wendy Knight (Interim)	02-24-06 to 06-04-06
	Michael Dempsey	06-05-06 to 06-30-07



# STATE OF INDIANA

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## INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF PENDLETON JUVENILE CORRECTIONAL FACILITY

We have reviewed the receipts, disbursements, and assets of the Pendleton Juvenile Correctional Facility for the period of April 1, 2002 to May 31, 2006. Pendleton Juvenile Correctional Facility's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Pendleton Juvenile Correctional Facility are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

June 15, 2006

PENDLETON JUVENILE CORRECTIONAL FACILITY  
REVIEW COMMENTS  
JUNE 30, 2006

TRUST FUND

Financial Statements

The Pendleton Juvenile Correctional Facility (PNJCF) did not consistently complete the monthly financial statements for the Trust Fund. We noted that the financial statements were not prepared for every month during the review period. PNJCF created one monthly report that included all activity from July 2004 to October 2004.

Each institution should file monthly financial statements for its local funds with the state agency having administrative control over the institution. Institutions should have internal controls in effect which provide reasonable assurance regarding reliability of financial information and records. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

Internal Controls

The Pendleton Juvenile Correctional Facility (PNJCF) maintains a Trust Fund for the benefit and use of its juvenile offenders. PNJCF did not properly maintain a ledger. During our review period, it was found that PNJCF did not maintain a ledger from June 2002 to November 2002. Also, PNJCF does not consistently post the receipt numbers and the check numbers in the ledger. Furthermore, the receipts that PNJCF issues are not issued in sequential order. Due to the lack of maintaining a proper ledger and not issuing receipts sequentially, we could not verify that all transactions were properly posted to the juvenile offender's accounts.

Institutions should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, safeguarding controls over cash and all other assets and all forms of information processing are part of the internal control system. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and monthly reports, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

All receipts, licenses or other accountable items must be prenumbered or sequentially numbered by computer when issued. Documents should be used in sequential order. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 3)

Daily Deposits

The Pendleton Juvenile Correctional Facility did not consistently deposit receipts for the Offender Trust Fund within the following business day.

Indiana Code 5-13-6-1(b) states in part: "... all public funds ... shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

PENDLETON JUVENILE CORRECTIONAL FACILITY  
REVIEW COMMENTS  
JUNE 30, 2006  
(Continued)

RECREATION FUND

Internal Controls

The Pendleton Juvenile Correctional Facility maintains a Recreation Fund for the direct benefit of the offenders. The major sources of receipts for this Recreation Fund are commissions from commissary purchases, telephone and vending commissions. The telephone and vending commissions are received via a check each month. The facility did not issue receipts for these monies. Therefore, we could not determine the date that the funds were received by PNJCF. Due to the lack of proper documentation, we could not verify that all funds were properly deposited into the checking account or were deposited in a timely manner.

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, safeguarding controls over cash and all other assets, and forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 3)

Some type of receipting method must be utilized for all money received. If the volume is not extremely high, the simplest and most effective method is to issue an official receipt (approved by the State Board of Accounts) to each person paying in money to the state agency. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 3)

Improper Documentation

The Pendleton Juvenile Correctional Facility does not maintain proper documentation for Recreation Fund disbursements. Approvals for disbursements were made without adequate documentation as to the purpose of each disbursement. Additionally, some disbursements were made without an authorizing signature. Due to the lack of adequate documentation and authorizing signatures, we were unable to determine that the purchases were for the direct benefits of the offenders of the institution.

Each Recreation Fund disbursement should be documented with the purpose for the disbursement, person and department requesting the purchase, date requested, date paid, amount of payment, check number, written approval of the superintendent or designee, vendor invoice, and verification that the goods were received. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

REMITTANCE FUND

Commingling of Funds

The Pendleton Juvenile Correctional Facility commingled monies for the Remittance Fund with monies for the Recreation Fund. The Recreation Fund is for the direct benefit of the offenders. Deposits to the Recreation Fund consist of profits from the operation of a commissary, income derived from Trust Funds invested in United States government securities, gifts to the fund, income derived from any kind of benefit entertainment for the offenders, and any money derived from the income of any trust fund which has been deposited in any special fund of the institution. The Remittance Fund generates revenue for the state from employee purchases of meal tickets, car washes, horticulture sales and bake sales. These funds must be deposited into the facility's operating account with the Treasurer of State as miscellaneous revenue. The Remittance Fund is not for the direct benefit of the offenders of the facility. Therefore, Remittance Fund monies cannot be deposited into the Recreation Fund.

PENDLETON JUVENILE CORRECTIONAL FACILITY  
REVIEW COMMENTS  
JUNE 30, 2006  
(Continued)

Each agency is responsible for maintaining an effective and accurate accounting system for subsidiary and supplementary records. At all times, the agency's manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank or Auditor's balance should agree. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

Internal Controls

The Pendleton Juvenile Correctional Facility maintains a ledger in order to track the revenue that is generated from meal ticket sales, car washes and other institutional services. Receipts were not consistently issued for the funds collected. Also, the receipts that were issued used a form which has not been approved by the State Board of Accounts. Furthermore, PNJCF did not consistently post the receipt numbers to the ledger, and therefore it could not be determined if the funds were properly deposited into the checking account.

Institutions should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and monthly reports, and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 13)

Some type of receipting method must be utilized for all money received. If the volume is not extremely high, the simplest and most effective method is to issue an official receipt (approved by the State Board of Accounts) to each person paying in money to the state agency. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 3)

Indiana Code 5-11-1-2 states in part: "The state board of accounts shall formulate or approve all statements and reports necessary for the internal administration of the office to which they pertain."

IMPROPER CONTRACT EXPENDITURES

The Indiana Department of Correction (DOC) has contracted with a vendor to provide food services to offenders at all DOC facilities. DOC issued a Request for Proposal in order to obtain bids from prospective vendors. Contained in the RFP was language that stated that "Vendor(s) may be requested to provide food services for special meetings or events held within the mentioned facilities and at no time will this special service exceed \$2,500 annually." However, this language was not contained in the signed contract between the vendor and DOC. The vendor currently provides all institutions with food services for special occasions without billing the facility, referring to the practice as the Catering Fund. This is a benefit to the state, provided for in the cost structure of the contract, and therefore should only be used for state related functions.

The Pendleton Juvenile Correctional Facility had the vendor provide catering for Employee Appreciation Week activities. The catering was provided using the Catering Fund. This is an inappropriate use of state funds without Budget Agency approval.

According to Financial Management Circular 98-1, "it is important to avoid even the appearance that taxpayers' money is being used inappropriately to provide refreshments or meals at a state sponsored event. Spending taxpayer dollars for meetings or events involving only state employees when no travel is involved is not appropriate. Taxpayer dollars should never be spent on office parties or alcoholic beverages."



PENDLETON JUVENILE CORRECTIONAL FACILITY  
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2006, with Michael Dempsey, Superintendent; and Rondle Anderson, former Superintendent. The official response has been made a part of this report and may be found on pages 8 through 10.

A copy of the review comments was mailed on August 22, 2006, to David Uberto, Jane Burns and Wendy Knight, former Superintendents.



Mitchell E. Daniels, Jr.  
Governor

J. David Donahue  
Commissioner

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August 28, 2006

State Board of Accounts  
Bruce A. Hartman, State Examiner  
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### **OFFICIAL RESPONSE**

Pursuant to the Pendleton Juvenile Correctional Facility's August 22 exit conference and in accordance with Option No. 4, please consider this letter as the facility's official response.

#### **TRUST FUND**

##### **Financial Statements**

- "Financial statements were not prepared for every month during the review period."

**Correction:** As of August 23, 2006 financial statements are current and staff has been assigned the duty to complete this on schedule each month.

##### **Internal Controls**

- "PNJCF does not consistently post the receipt numbers and the check numbers in the ledger. The receipts that PNJCF issues are not issued in sequential order."

**Correction:** On August 23, 2006, Acting Business Administrator Troy McKinley met with Inmate Trust staff. Receipt numbers and check numbers will be posted to the Ledger. Met with the mailroom staff. Receipts from this day forward will be in sequential order.



#### **STATE OF INDIANA**

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EOE



### Daily Deposit

- "The Pendleton Juvenile Correctional Facility did not consistently deposit receipts for the Offender Trust Fund within the following business day."

**Correction:** Specific staff has been assigned this responsibility and deposits will be made daily.

## RECREATION FUND

### Internal Controls

- "The Pendleton Juvenile Correctional Facility does not issue receipts for monies received from commissions from commissary purchases, telephone and vending commissions."

**Correction:** Effective this date, all monies received for deposit into the Recreation Fund will be receipted on the same day they are received. The State Board of Accounts official receipt will be used for this purpose.

### Improper Documentation

- "The Pendleton Juvenile Correctional Facility does not maintain proper documentation for Recreation Fund Disbursements."

**Correction:** Effective this date, all Recreation Funds purchases will have a purchase order form and a detailed justification. No orders will be processed or receipted without this documentation.

## REMITTANCE FUND

### Commingling of Funds

- "Commingling of Funds. The Pendleton Juvenile Correctional Facility commingled monies for the Remittance Fund with monies for the Recreation Fund."

**Correction:** Staff have been trained and written instructions given as to which monies are deposited into the Remittance Fund and which funds are deposited into the Recreation Fund.

- "Receipts were not consistently issued for the funds collected. Also, the receipts that were issued used a form not been approved by the State Board of Accounts. Furthermore, PNJCF did not consistently post the receipt numbers to the ledger."

**Correction:** Effective August 23, 2006 all receipts being utilized are approved by the State Board of Accounts. Staff has been trained on the proper posting of the ledger.

IMPROPER CONTRACT EXPENDITURES

- “The Pendleton Juvenile Correctional Facility had the vendor provide catering for Employee Appreciation Week Activities. The catering was provided using the Catering Fund. This is an inappropriate use of state funds without Budget Agency approval.”

**Correction:** Any requests to utilize the Catering Funds for staff functions will be sent to Chris Fletcher, Budget Agency, for approval.

Thank you for allowing me the opportunity to address these items of concern.

A handwritten signature in black ink, appearing to read 'Michael Dempsey', with a stylized, looping flourish extending to the right.

Michael Dempsey, Superintendent  
Pendleton Juvenile Correctional Facility

cc: Cecil Davis, Regional Director  
Lisa Cottingham, Acting Chief Financial Officer  
file